



STATE OF WASHINGTON
DEPARTMENT OF INFORMATION SERVICES
Olympia, Washington 98504-2445

May 5, 2004

[CUSTOMER ADDRESS]
[CUSTOMER ADDRESS]
[CUSTOMER ADDRESS]

Re: Toll-Free Services Master Contract Billing Dispute Settlement Offer

Dear [CUSTOMER]:

As you are probably aware, DIS and AT&T have been engaged in negotiations over a longstanding billing dispute related to the Master Contract #T01-MST-007 for Toll-Free Calling Services ("Contract").

AT&T, for the first two years of the Contract, through May 2003, provided some Purchasers with a 25% discount on usage-related charges. AT&T now claims that this discount was provided in error. AT&T has made attempts to collect these claimed under-billed amounts.

DIS believes that AT&T has made numerous other billing errors since the inception of the Contract, such as overcharging for services during August 2003 and charging B&O tax in violation of Section 5 of the Contract. DIS has issued AT&T a notice to cure default under the Contract due to these significant billing issues.

AT&T and DIS, in consultation with Contract Purchasers, have attempted to resolve these disputes and have now arrived at a proposed settlement offer. The essence of this settlement offer is that AT&T will forgo its right to recover the claimed 25% under-billing in exchange for Purchasers' willingness to forgo claims relating to over-billed amounts. The Purchasers consulted by DIS have analyzed their bills and are convinced that the proposed settlement offer is substantially favorable to them. Thus this settlement offer is being sent to all Purchasers under the Contract for review and acceptance or rejection.

Shortly after the deadline for hearing from you as to your acceptance or rejection of this settlement offer, and prior to June 18th, DIS anticipates entering into a binding Release and Settlement Agreement with AT&T.

Portions of the proposed settlement offer have to do with Contract administration and are being dealt with directly between DIS and AT&T, e.g. the timeline for AT&T's Activity Reports. For your information only, those items include the following:

1. The current Notice to Cure Default will be rescinded and DIS will extend the Master Contract. This extension would not obligate you to continue to purchase from the Contract; it would only make continued toll-free services from AT&T available to you for an additional term.
2. DIS also plans to allow AT&T to charge B&O tax from the date of the Release and Settlement Agreement to the expiration or termination of the Contract. Your earlier bills most likely included B&O charges, so your future bills will continue to look the same to you.
3. The Contract will be amended to increase the payphone surcharge to \$.47. This is an increase that is allowed by the Contract when such increase is ordered by the FCC. The billing issue has been about the process for such increases. Our position is that AT&T must provide DIS a copy of the FCC order and that the Contract must be amended to reflect the price increase.

I encourage you to examine your own toll-free bills issued pursuant to the Contract to determine if you wish to accept this settlement offer. If you decide to reject the settlement offer, then AT&T may re-bill you and demand payment for the 25% under-billing in the usage rates from the inception of your service through May 2003. You will have to analyze your bills for that time period to determine if you have any offsetting over-billed amounts, calculate those and independently pursue any such claims against AT&T.

If you wish to take advantage of the settlement offer: (1) AT&T will not re-bill you or demand payment for the 25% under-billing in the usage rates from the inception of your service through May 2003; (2) the past bills (prior to the date of the Release and Settlement Agreement) will stand as they are; and (3) you will release AT&T from any claims for over-billing and any other disputes and issues through the date of the Release and Settlement Agreement.

After a careful reading of this letter and settlement offer, please indicate your acceptance or rejection on the last page of this letter, sign date and return the signed page to DIS by Wednesday, May 26th, as follows:

by facsimile to:

(360) 664-0711

by mail to:

TSD Contract Administrator
PO Box 42445
Olympia, WA 98504-2445

by courier to:

TSD Contract Administrator
2411 Chandler Court SW
Olympia, WA 98502

If you do not sign and return the last page of this letter with your choice, you will be assumed to have rejected this settlement offer.

A handwritten signature in dark ink, appearing to be "William R.", is written over a horizontal line.

This page must be returned to DIS on or before Wednesday, May 26, 2004.

DIRECTIONS: Please indicate your rejection or acceptance of the settlement offer by signing one of the options below and return this page to DIS as follows:

by facsimile to:

(360) 664-0711

by mail to:

TSD Contract Administrator
PO Box 42445
Olympia, WA 98504-2445

by courier to:

TSD Contract Administrator
2411 Chandler Court SW
Olympia, WA 98502

Rejection of settlement offer

The Purchaser indicated below has read and understood this letter and has decided to reject the settlement offer. Purchaser understands that rejection of this settlement offer means that AT&T may re-bill Purchaser and demand payment for the 25% under-billing in the usage rates from the inception of our toll-free service through May 2003. Purchaser also understands that Purchaser will have to independently pursue any such offsetting claims against AT&T.

Purchaser Name: _____

Signature

Date

Print or Type Name

Title

Acceptance of settlement offer

The Purchaser indicated below has read and understood this letter and has decided to accept the settlement offer. Purchaser understands that acceptance of this settlement offer means that: (1) AT&T will not re-bill Purchaser for any claimed under-billed amounts; (2) the past bills (prior to the date of the Release and Settlement Agreement) will stand as they are; and (3) Purchaser will release AT&T from any claims for over-billing and any other disputes and issues through the date of the Release and Settlement Agreement. Purchaser hereby authorizes DIS to enter into the Release and Settlement Agreement on behalf of Purchaser.

Purchaser Name: _____

Signature

Date

Print or Type Name

Title